

# **PUBLIC DISCLOSURE**

**May 9, 2002**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First State Bank of Fort Lauderdale  
Certificate Number: 21793**

**424 West Sunrise Boulevard  
Fort Lauderdale, Florida 33311**

**Federal Deposit Insurance Corporation  
10 Tenth Street, N. E.  
Suite 800  
Atlanta, Georgia 30309-3906**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First State Bank of Fort Lauderdale** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **May 9, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated Satisfactory. The rating is based on results under the following performance criteria:

- The institution's average net loan-to-deposit ratio of 56.4 percent meets standards for satisfactory performance and indicates a willingness to extend credit.
- Lending within the assessment area meets standards for satisfactory performance as a majority of sampled loans, 78.7 percent of the number and 69.3 percent of the dollar volume, were originated within the bank's assessment area.
- Lending to borrowers of different incomes and businesses of different sizes exceeds standards for satisfactory performance. Lending to low- and moderate-income borrowers within the bank's assessment area is strong with 73.9 percent of the number and 61.4 percent of the dollar volume of sampled loans extended to borrowers in these income categories. In addition, 84.0 percent of the number and 87.5 percent of the dollar volume of small business loans sampled were extended to businesses with gross annual revenues of \$1 million or less.
- The geographic distribution of sampled loans meets standards for satisfactory performance. By number and dollar volume, the geographic distribution of subject bank's lending to consumers and small businesses within the assessment area is reasonable.
- No CRA related complaints have been received since the prior evaluation.

## DESCRIPTION OF INSTITUTION

First State Bank of Fort Lauderdale (FSB), formerly Sunniland Bank, is located in Fort Lauderdale, Florida. Subject bank has been open more than 25 years and offers a wide variety of deposit and loan services. FSB was rated Satisfactory at its last CRA evaluation dated June 9, 1997. As of March 31, 2002, subject bank had total assets of \$27.6 million, gross loans were \$16.2 million, and securities and federal funds sold totaled \$8.5 million. Total deposits were 24.8 million and total equity capital equaled \$2.7 million.

Subject bank's main office is located at 424 West Sunrise Boulevard in Fort Lauderdale, Florida. FSB also operates one branch at 8199 West McNab Road in Tamarac, Florida, approximately 20 miles northwest of the main office. Subject bank's main office is located in a low-income census tract and the branch is in a middle-income census tract. Drive-up teller services are available at each location. In addition, a courier service is offered to the bank's commercial customers.

Table 1 shows the composition of the bank's loan portfolio, reflecting management's efforts to provide for the credit and economic development needs of its community in a manner consistent with its size, financial capacity, location, resources, and general economic conditions. There are no legal or financial impediments that would prohibit the bank from meeting the credit needs of its delineated community.

**Table 1 – Loan Portfolio Composition**

| <b>Loan Category</b>                  | <b>% of Gross Loans*</b> |
|---------------------------------------|--------------------------|
| Construction & Development            | 0%                       |
| 1-4 Family Residential Real Estate    | 8%                       |
| Farmland                              | 0%                       |
| Multifamily                           | 28%                      |
| Non-Farm, Non-Residential Real Estate | 42%                      |
| Agricultural Loans                    | 0%                       |
| Commercial & Industrial Loans         | 4%                       |
| Loans to Individuals                  | 18%                      |
| All Other Loans                       | 0%                       |
| <b>Total</b>                          | <b>100%</b>              |

Source: March 31, 2002, Uniform Bank Performance Report

\* Based on dollar volume

## **DESCRIPTION OF INSTITUTION (Continued)**

FSB's loan products serve the needs of individuals and businesses within its assessment area. The largest loan category and the bank's primary focus is commercial loans at 46 percent of gross loans (Non-Farm, Non-Residential Real Estate plus Commercial and Industrial Loans). Subject bank's commercial loan portfolio serves the needs of many small and large businesses within the local community. FSB imposes typical underwriting standards for business-related loans and offers both secured and unsecured business loans and commercial real estate loans. FSB offers instalment loans for various consumer products; however, non-commercial residential real estate lending is limited to home equity loans and home equity lines of credit. Subject bank also does not purchase or sell residential real estate in the secondary market.

A community contact familiar with the credit needs of the community states that there is a need for home purchase loans to individuals with less than perfect credit and especially small business loans. The contact stated that positive feedback had been received from individuals that were referred to FSB. Subject bank is in the process of expanding the loan products offered to include home purchase loans.

Since the prior CRA evaluation, subject bank has originated eleven multifamily loans in low- and moderate-income census tracts totaling \$2,742,290. These properties provide 182 units of low-cost housing in low- to moderate-income census tracts. Loans for multi-family housing are considered under the lending test.

FSB competes locally with a host of small and large financial institutions, finance companies, and credit unions. Branches of most of the larger regional and multinational financial institutions are located within the bank's assessment area and are considered major competitors.

## **DESCRIPTION OF ASSESSMENT AREA (Broward County)**

Unless otherwise noted, demographic information contained herein was obtained from the 1990 and 2000 United States Census and the FDIC Division of Insurance. Refer to Appendix A for additional demographic data.

### **Assessment Area Overview**

The bank has delineated Broward County, Florida, as its assessment area. The assessment area consists of whole geographies and does not arbitrarily exclude any low- or moderate-income areas. Broward County forms the Fort Lauderdale, Florida Metropolitan Statistical Area (MSA) number 2680. The assessment area includes 164 census tracts consisting of 9 low-income (5.6 percent), 32 moderate-income (20.0 percent), 77 middle-income (48.1 percent), and 42 upper-income (26.3 percent) census tracts. Four census tracts were not included in the analysis since these tracts are not populated.

## **DESCRIPTION OF ASSESSMENT AREA (Continued)**

Broward County is located along the eastern coast of Florida and covers 1,205 square miles. It borders Palm Beach County to the north, the Atlantic Ocean to the east, Collier County to the west, and Miami-Dade County to the south. Major cities in the bank's assessment area include Fort Lauderdale, Hollywood, Coral Springs, Pembroke Pines, and Pompano Beach.

The median family income (MFI) for the Fort Lauderdale, Florida MSA is \$60,200 for 2002, which is above the MFI for the State of Florida and the United States at \$51,800 and \$54,400, respectively. In addition, the 1999 per capita personal income figure for Broward County, at \$29,442, is also above the state and national levels at \$27,780 and \$28,542, respectively. Based on 2000 census data, the total population for Broward County is 1,623,018 and comprises 654,445 households. The total population of the assessment area, based on 1990 census data, was 1,255,488 and comprised 527,860 households, representing significant growth of 29 percent and 24 percent, respectively. The median age of the population for Broward County is 37.8 years in 2000 compared to 36.0 years in 1990. The 2000 census data shows that 16.1 percent of the population in the assessment area is age 65 or over, compared to 17.6 percent for the state. Those under age 18 represent 23.6 percent of the county compared to 22.8 percent for the state.

Since 1992, county unemployment rates have trended downward, from 8.5 percent in 1992 to 3.7 percent in 2000. This is similar to the 2000 state and national average unemployment rates of 3.6 and 4.0 percent, respectively. However, the Broward County unemployment rate increased to 4.6 percent in 2001.

The county's business sector is diverse. The services industry makes up the largest share of Broward County's business sector at 42 percent while retail trades represent 19 percent. This indicates the county's significant reliance on tourism. The Broward County School Board is the largest employer followed by American Express. The health care industry also represents a substantial level of employment in the county. The largest are Broward General Medical Center, South Broward Hospital District (Memorial Regional Hospital), and Holy Cross Hospital, Inc.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Identification of Loans Utilized for this Evaluation**

Commercial loans were determined to be the bank's major loan category and primary business focus based on dollar volume of originated loans. Due to a computer conversion by the institution, data on loan originations could not be obtained prior to December 1, 1998. Since that date, FSB originated 90 commercial loans totaling \$14,935,050. For this analysis, commercial loans consist of small business loans. Small business loans are defined as loans whose original amounts are \$1 million or less and that were reported as either "Loans secured by non-farm or non-residential real estate" or "Commercial and Industrial loans." As of the same date, FSB originated 589 consumer instalment loans totaling \$6,538,232 and 9 residential real estate loans totaling \$1,190,800. Since consumer instalment loans represent a significant portion of the number of originated loans, both commercial and consumer instalment loans were analyzed for the CRA evaluation.

Using statistical sampling guidelines, a sample of each loan category was selected based on a 90 percent confidence interval, meaning there is a 90 percent chance that the results from the sample will be within 15 percent of the true proportion. The review included 61 loans: 31 commercial loans totaling \$6,377,955 and 30 consumer loans totaling \$477,843. The sample of commercial loans was selected from those loans originated since the prior FDIC Compliance Examination, dated March 6, 2000, while the sample of consumer loans was selected from loans originated during the six months prior to this evaluation.

### **Loan to Deposit Ratio**

The bank's average net loan-to-deposit ratio (LTDR) reflects that the institution's overall level of lending meets standards for satisfactory performance.

FSB's average net LTDR is 56.4 percent. The average net LTDR is calculated by adding the LTDRs for each quarter for the time period covered and dividing the sum by the total number of quarters. The period covered is June 30, 1997 through March 31, 2002. The LTDR for the quarter ending March 31, 2002 is 64.4 percent. Since June 30, 2001, the ratio has increased steadily as a result of an increase in total loans.

Subject bank's average net LTDR was compared to a similarly situated institution operating inside the bank's assessment area. The comparable institution shares similar product lines, asset size, branch structure, and economic conditions. FSB's average net LTDR compares favorably to the similarly situated institution whose average net LTDR for the same period is 51.8 percent. FSB's LTDR at March 31, 2002 also compares favorably to the similarly situated institution whose quarterly ratio is 51.5 percent.



## CONCLUSIONS (Continued)

### Lending in the Assessment Area

FSB meets standards for satisfactory performance under this criterion, as a majority of loans in the sample, by number and dollar volume, are located within the bank's assessment area.

As shown in Table 2, 78.7 percent of the number and 69.3 percent of the dollar volume of sampled commercial and consumer instalment loans were extended within the bank's assessment area. Of the 31 commercial loans included in the analysis, 25 loans, or 80.7 percent of the number and 68.3 percent of the dollar volume, were originated to businesses within the bank's assessment area. Of the 6 loans originated to businesses outside the bank's assessment area, 4 were to businesses in Miami-Dade County and 2 were to businesses in Palm Beach County. Table 2 also shows that of the 30 consumer instalment loans sampled, 23 were extended to consumers living in the assessment area, representing 76.7 percent of the number and 82.7 percent of the dollar volume. Of the 7 loans originated to borrowers outside the bank's assessment area, 3 loans were extended to borrowers in Miami-Dade County and 4 in Palm Beach County.

**Table 2 – Distribution of Loans Inside and Outside of the Assessment Area**

| Loan Type        | Number of Loans |              |           |              |           | Dollars in Loans (000s) |              |                |              |                |
|------------------|-----------------|--------------|-----------|--------------|-----------|-------------------------|--------------|----------------|--------------|----------------|
|                  | Inside          |              | Outside   |              | Total     | Inside                  |              | Outside        |              | Total          |
|                  | #               | %            | #         | %            |           | \$                      | %            | \$             | %            |                |
| Commercial Loans | 25              | 80.7         | 6         | 19.3         | 31        | \$4,354                 | 68.3         | \$2,024        | 31.7         | \$6,378        |
| Consumer Loans   | 23              | 76.7         | 7         | 23.3         | 30        | \$ 395                  | 82.7         | \$ 83          | 17.3         | \$ 478         |
| <b>Total</b>     | <b>48</b>       | <b>78.7%</b> | <b>13</b> | <b>21.3%</b> | <b>61</b> | <b>\$4,749</b>          | <b>69.3%</b> | <b>\$2,107</b> | <b>30.7%</b> | <b>\$6,856</b> |

## CONCLUSIONS (Continued)

### Lending to Borrowers with Different Incomes and Businesses of Different Sizes

FSB's record of lending to borrowers with different incomes and businesses of different sizes exceeds standards for satisfactory performance. Consumer and commercial lending are discussed separately.

#### *Consumer Loans*

As noted in Table 3, FSB's level of lending to low- and moderate-income borrowers is strong. FSB extended 34.8 percent of the number and 24.8 percent of the dollar volume of sampled loans to low-income individuals and 39.1 percent of the number and 36.6 percent of the dollar volume to moderate-income individuals. The percent of households in the different income categories in the assessment area is shown for informational purposes only. Low- and moderate-income households comprise 39.9 percent of the assessment area while FSB extended 73.9 percent of the number of loans to low- and moderate-income borrowers. The level of loans extended to middle-income individuals compares favorably, both by number of loans and dollar volume, to the percent of middle-income households within the bank's assessment area. Although FSB did not originate any loans to upper-income individuals there are numerous banking establishments to serve those consumers.

**Table 3 - Lending to Borrowers of Different Income Levels Inside the Assessment Area**

| Borrower<br>Income Levels | Percent of<br>Households | Number of Loans |               | Dollars in Loans |               |
|---------------------------|--------------------------|-----------------|---------------|------------------|---------------|
|                           |                          | #               | %             | \$               | %             |
| Low                       | 22.8                     | 8               | 34.8          | \$ 97,923        | 24.8          |
| Moderate                  | 17.1                     | 9               | 39.1          | 144,571          | 36.6          |
| Middle                    | 19.5                     | 6               | 26.1          | 152,639          | 38.6          |
| Upper                     | 40.6                     | 0               | 0.0           | 0                | 0.0           |
| <b>Total</b>              | <b>100.0%</b>            | <b>23</b>       | <b>100.0%</b> | <b>\$395,133</b> | <b>100.0%</b> |

#### *Commercial Loans*

As shown in Table 4, the bank originated 84.0 percent of the number and 87.5 percent of the dollar volume of sampled loans to businesses with gross annual revenues of \$1 million or less. According to Dunn and Bradstreet, 76.8 percent of small businesses in the assessment area have gross annual revenues under \$500,000. FSB extended 76.0 percent of sampled small business loans to businesses with gross annual revenues of \$500,000 or less and 56.0 percent were to businesses with revenues of \$250,000 or less, representing a strong lending performance to the smallest business entities. The dollar distribution reflects similar percentages for each category.

## CONCLUSIONS (Continued)

**Table 4 – Lending to Different Size Businesses Inside the Assessment Area**

| Business Revenue        | Number of Loans |               | Dollars in Loans   |               |
|-------------------------|-----------------|---------------|--------------------|---------------|
|                         | #               | %             | \$                 | %             |
| \$0 - \$250,000         | 14              | 56.0          | \$2,525,434        | 58.0          |
| \$250,001 - \$500,000   | 5               | 20.0          | 735,393            | 16.9          |
| \$500,001 - \$750,000   | 0               | 0.0           | 0                  | 0.0           |
| \$750,001 - \$1,000,000 | 2               | 8.0           | 549,000            | 12.6          |
| Over \$1,000,000        | 4               | 16.0          | 544,628            | 12.5          |
| <b>Total</b>            | <b>25</b>       | <b>100.0%</b> | <b>\$4,354,455</b> | <b>100.0%</b> |

### Geographic Distribution of Loans

The geographic distribution of loans extended to consumers and small businesses among different income level geographies inside the institution's assessment area meets standards for satisfactory performance. Subject bank's lending performance reflects a reasonable dispersion throughout the assessment area with no conspicuous gaps or irregular lending patterns identified. Consumer and commercial lending are discussed separately.

As stated previously, subject bank has also originated eleven multifamily loans in low- and moderate-income census tracts totaling \$2,742,290. These properties provide 182 units of low-cost housing in low- to moderate-income census tracts. Table 5 shows loan originations for each year. Information on multifamily loan originations made prior to 1999 was not available.

**Table 5 – Multifamily Lending By Year**

| Year         | Number of Loans | Dollars in Loans   | Number of Units |
|--------------|-----------------|--------------------|-----------------|
| 1999         | 1               | \$ 168,000         | 6               |
| 2000         | 2               | 397,500            | 14              |
| 2001         | 6               | 1,789,790          | 149             |
| 2002         | 2               | 387,000            | 13              |
| <b>Total</b> | <b>11</b>       | <b>\$2,742,290</b> | <b>182</b>      |

## CONCLUSIONS (Continued)

### *Consumer Loans*

Table 6 details, by number and dollar volume, the geographic distribution of the bank's consumer lending within the different income census tracts. For comparison purposes, the distribution of geographies within the bank's assessment area is also shown. FSB's lending performance in this criterion reflects a reasonable distribution of sampled loans. Although the percentage of lending in low-income census tracts by number of loans is adequate at 4.4 percent, the percentage of lending by dollar volume is weak at 2.2 percent. Some of this weakness may be justified since 38.2 percent of the families living in low-income census tracts have incomes below the poverty level which will tend to limit lending opportunities since many of these consumers would not qualify for credit. Lending in moderate-income tracts, both by number of loans and dollar volume, is significantly higher than the percentage of moderate-income tracts in the assessment area while lending in middle-income tracts mirrors the geographic distribution of middle-income tracts in the assessment area.

**Table 6 – Geographic Distribution of Consumer Loans**

| Geography<br>Income Level | Geographies<br>In AA |               | Number of Loans |               | Dollars in Loans |               |
|---------------------------|----------------------|---------------|-----------------|---------------|------------------|---------------|
|                           | #                    | %             | #               | %             | \$               | %             |
| Low                       | 9                    | 5.6           | 1               | 4.4           | \$ 8,815         | 2.2           |
| Moderate                  | 32                   | 20.0          | 9               | 39.1          | 179,312          | 45.4          |
| Middle                    | 77                   | 48.1          | 11              | 47.8          | 181,036          | 45.8          |
| Upper                     | 42                   | 26.3          | 2               | 8.7           | 25,970           | 6.6           |
| <b>Total</b>              | <b>160</b>           | <b>100.0%</b> | <b>23</b>       | <b>100.0%</b> | <b>\$395,133</b> | <b>100.0%</b> |

### *Commercial Loans*

Table 7 shows that lending to small business entities in low-income geographies is strong at 24.0 percent by number of loans and 12.9 percent by dollar volume while low-income census tracts comprise only 5.6 percent of the assessment area. Lending in moderate-income tracts mirrors the geographic distribution of census tracts within the assessment area. However, lending in middle-income tracts is weak. Although the Tamarac branch is located in a middle-income census tract, a loan officer is at that branch only on a part-time basis, which may explain the weakness in this income category. Lending in upper-income tracts (52 percent of the number and 44 percent of the dollar amount) significantly exceeds the demographic data at 26.3 percent.

## CONCLUSIONS (Continued)

**Table 7 – Geographic Distribution of Commercial Loans**

| Geography<br>Income Level | Geographies<br>In AA |               | Number of Loans |               | Dollars in Loans   |               |
|---------------------------|----------------------|---------------|-----------------|---------------|--------------------|---------------|
|                           | #                    | %             | #               | %             | \$                 | %             |
| Low                       | 9                    | 5.6           | 6               | 24.0          | \$563,250          | 12.9          |
| Moderate                  | 32                   | 20.0          | 5               | 20.0          | 913,748            | 21.0          |
| Middle                    | 77                   | 48.1          | 1               | 4.0           | 963,750            | 22.1          |
| Upper                     | 42                   | 26.3          | 13              | 52.0          | 1,913,707          | 44.0          |
| <b>Total</b>              | <b>160</b>           | <b>100.0%</b> | <b>25</b>       | <b>100.0%</b> | <b>\$4,354,455</b> | <b>100.0%</b> |

Table 8 compares FSB's lending performance to the distribution of businesses in each income category. The Business Distribution column represents the number of small business establishments in each census tract income category whereas the Number of Loans and Dollars in Loans columns are identical to Table 7. While 5.6 percent of the census tracts in the assessment area are low-income, Table 8 shows that 5.5 percent of the small businesses in the assessment area are located in low-income geographies. FSB weakness in lending to businesses in middle-income geographies is further demonstrated by comparison to the percent of small businesses located in those tracts, representing 50.9 percent.

**Table 8 – Geographic Distribution of Commercial Loans**

| Geography<br>Income Level | Business<br>Distribution in AA * |               | Number of Loans |               | Dollars in Loans   |               |
|---------------------------|----------------------------------|---------------|-----------------|---------------|--------------------|---------------|
|                           | #                                | %             | #               | %             | \$                 | %             |
| Low                       | 4,197                            | 5.5           | 6               | 24.0          | \$563,250          | 12.9          |
| Moderate                  | 12,478                           | 16.4          | 5               | 20.0          | 913,748            | 21.0          |
| Middle                    | 38,780                           | 50.9          | 1               | 4.0           | 963,750            | 22.1          |
| Upper                     | 20,775                           | 27.2          | 13              | 52.0          | 1,913,707          | 44.0          |
| <b>Total</b>              | <b>76,230</b>                    | <b>100.0%</b> | <b>25</b>       | <b>100.0%</b> | <b>\$4,354,455</b> | <b>100.0%</b> |

\* Source: Dun & Bradstreet for year 2001.

## **CONCLUSIONS (Continued)**

### **Response to Complaints**

The implementing regulations of CRA require subject bank to maintain files that are readily available for public inspection. No public comments regarding the bank's performance in helping to meet the credit needs of its community have been received by FSB since the last evaluation.

### **Compliance With Anti-discrimination Laws**

No substantive violations of the anti-discrimination laws and regulations were identified.

## Appendix A - Assessment Area (AA) Statistics

| <b>Demographic &amp; Economic Characteristics</b>           |  |  |
|---|--|--|
| <b>TOTAL POPULATION (2000):</b>                             | County<br>State<br>U.S.  | 1,623,018<br>15,982,378<br>281,421,906   |
| <b>AGE OF POPULATION - COUNTY (2000):</b>                   | Under 20<br>20 to 24<br>25 to 44<br>45 to 64<br>65 & over                  | 25.7%<br>5.1%<br>31.4%<br>21.7%<br>16.1% |
| <b>MEDIAN FAMILY INCOME (Estimated 2002):</b>               | County<br>State<br>U.S.  | \$60,200<br>\$51,800<br>\$54,400         |
| <b>FAMILIES BY INCOME LEVEL – ASSESSMENT AREA (1990):</b>   | Low-Income<br>Moderate-Income<br>Middle-Income<br>Upper-Income             | 19.6%<br>18.3%<br>22.5%<br>39.6%         |
| <b>HOUSEHOLDS BELOW POVERTY LEVEL (1990):</b>               | County<br>State  | 9.7%<br>12.1%                            |
| <b>UNEMPLOYMENT RATES – NOT SEASONABLY ADJUSTED (2000):</b> | County<br>State<br>U.S.  | 3.7%<br>3.6%<br>4.0%                     |
| <b>OCCUPANCY STATUS OF HOUSING UNITS – COUNTY (2000):</b>   | Owner-occupied Housing Units<br>Housing Vacancy Rate<br>Homeownership Rate | 69.5%<br>11.7%<br>69.5%                  |
| <b>HOUSING CHARACTERISTICS – ASSESSMENT AREA (1990):</b>    | Median Housing Value<br>Median Gross Rent<br>Median Age of Housing Stock   | \$140,665<br>\$580<br>19 Years           |